

Message Text

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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O.11652: N/A

TAGS: EFIN, OECD

SUBJECT: SIXTH SPECIAL SESSION OF INVISIBLES COMMITTEE
ON INWARD DIRECT INVESTMENT

REF (A) DAF/INV/76.8

1. SUMMARY: AT NEXT MEETING ON FEBRUARY 23, 1976, OECD COMMITTEE FOR INVISIBLE TRANSACTIONS WILL CONSIDER PROPOSAL TO HOLD SIXTH SPECIAL SESSION WITH NATIONAL DIRECT INVESTMENT CONTROL OFFICIALS IN MAY, 1976. ACTION REQUESTED: MISSION REQUESTS INSTRUCTIONS AS TO U.S. DESIRES REGARDING HOLDING OF THIS SPECIAL SESSION (SEE PARA 8). END SUMMARY.

2. REF A ADVANCES REASONS FOR HOLDING SIXTH SPECIAL SESSION OF INVISIBLES COMMITTEE (IC) ON QUESTIONS OF INWARD DIRECT INVESTMENT. IC HAS NOT MADE FINAL DECISION ON WHETHER OR NOT TO HOLD SUCH SESSION. SECRETARIAT BELIEVES MEETING WOULD BE USEFUL AND HAS DISTRIBUTED REF A IN ORDER TO PREPARE IC MEMBERS TO INDICATE IF THEIR OWN GOVERNMENTS ARE INTERESTED IN HAVING THIS SESSION AND, IF SO, WHETHER IT SHOULD BE HELD BEFORE
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SUMMER BREAK, 1976, WITH A SPECIFIC PROPOSAL MADE FOR

MAY.

3. NATURE OF SUBJECT IS SUCH THAT RESTRICTED AND INFORMAL (I.E., NO MINUTES) IC MEETING HAS BEEN USED TO CREATE SETTING IN WHICH NATIONAL OFFICIALS FEEL FREE TO SPEAK FRANKLY CONCERNING MANNER IN WHICH THEY IMPLEMENT THEIR OWN REGULATIONS, GUIDELINES OR ADMINISTRATIVE PROCEDURES CONCERNING INWARD DIRECT INVESTMENT. OECD COUNTRIES WITH MINIMAL RESERVATIONS ON THE DIRECT INVESTMENT ITEM IN THE CAPITAL MOVEMENTS CODE (CMC) STILL HAVE FAIRLY EXTENSIVE SCREENING PROGRAMS AS CONCERNS INWARD DIRECT INVESTMENT. TO THE EXTENT THAT GOVERNMENTS CHANGE THEIR ADMITTANCE PROCEDURES AND/OR EFFECTIVELY RESTRICT SPECIFIC INWARD DIRECT INVESTMENT PROJECTS, THE CMC REQUIRES THAT THE OECD BE NOTIFIED. HOWEVER, IN PRACTICE SUCH NOTIFICATION HAS NOT OCCURRED. THUS, THE SPECIAL SESSIONS OF THE IC HAVE BEEN CHIEF METHOD OF OBTAINING RELIABLE INFORMATION ON THE DE FACTO PROCEDURES USED BY MEMBER COUNTRIES TO CONTROL OR OTHERWISE INFLUENCE INWARD DIRECT INVESTMENT.

4. THE OECD SECRETARIAT BELIEVES IT WOULD BE USEFUL FOR THE IC TO HOLD ONE MORE SPECIAL SESSION, BEFORE SUMMER 1976, IN ORDER TO DEVELOP UPDATED INFORMATION ON THE SITUATION OF INWARD DIRECT INVESTMENT CONTROLS. SECRETARIAT DESIRES HOLD THIS MEETING REGARDLESS OF POSSIBLE FUTURE DEVELOPMENTS FOR HANDLING DIRECT INVESTMENT ISSUES IN OECD AS A RESULT OF INITIATIVES WHICH MAY BE FORTHCOMING FROM THE INVESTMENT COMMITTEE (IME). SECRETARIAT VIEWS PLANNED MAY MEETING AS LAST OF A SERIES (IN PRESENT FORMAT) WHICH HAS BEEN USED TO SATISFY CMC REQUIREMENT THAT COUNTRIES NOTIFY OECD OF ANY CHANGES IN THEIR DIRECT INVESTMENT REGULATIONS. IT IS PRESUMED THAT FOR FUTURE SOME NEW FORMAT FOR SATISFYING THIS REQUIREMENT WILL BE DEVELOPED, DEPENDING PARTLY ON HOW ACTIVITIES OF THE IME EVOLVE.

5. MAJORITY OF IC COULD DECIDE TO HOLD SUBJECT MEETING REGARDLESS OF POSITIONS TAKEN BY ONE OR SEVERAL MEMBERS. HOWEVER, IC WOULD PRESUMABLY WISH TO HAVE UNANIMOUS LIMITED OFFICIAL USE

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FAVORABLE DECISION IN ORDER TO ASSURE GREATEST POSSIBLE DEGREE OF COUNTRY PARTICIPATION. IT WOULD EVEN BE HOPED THAT CERTAIN COUNTRIES WHICH HAVE NOT PARTICIPATED IN THE PAST (E.G., CANADA) COULD BE INDUCED TO ATTEND NEXT MEETING.

6. AS IN PAST, U.S. PARTICIPATION WOULD BE MAINLY ON THE LISTENING SIDE, SINCE U.S. DOES NOT SCREEN OR OTHER-

WISE CONTROL INWARD DIRECT INVESTMENTS (EXCEPT FOR THOSE CATEGORIES OF INVESTMENT WHICH ARE ALREADY COVERED BY RESERVATIONS TO THE CMC). HOWEVER, MISSION BELIEVES THAT U.S. PARTICIPATION HAS BEEN USEFUL IN PAST AS MEANS WHEREBY INTERESTED AGENCIES HAVE BEEN ABLE TO EXPAND THEIR UNDERSTANDING OF MANNER IN

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THEIR UNDERSTANDING OF MANNER IN WHICH FOREIGN CONTROL OFFICIALS OPERATE AND VIEW THEIR OWN CONTROL PROGRAMS. FURTHERMORE, IT CAN OFFER OPPORTUNITY FOR U.S. TO RAISE SPECIFIC CASES OF ALLEGED DISCRIMINATION AGAINST (OR RESTRICTION OF) U.S. FIRMS OPERATING ABROAD. (NOTE: VERY FEW SPECIFIC CASES HAVE BEEN RAISED BY U.S. OR OTHERS IN PAST, SINCE IN MOST CASES COMPANIES CONCERNED HAVE BEEN UNWILLING TO HAVE THEIR CASES DISCUSSED IN INTERNATIONAL GOVERNMENTAL FORUM).

7. MISSION AGREES WITH SECRETARIAT THAT ONE ADDITIONAL SPECIAL SESSION ON INWARD DIRECT INVESTMENT WOULD BE USEFUL, BOTH TO THE IC AND SECRETARIAT, BUT ALSO POSSIBLY

AS BACKGROUND TO FURTHER WORK WHICH MIGHT LATER BE UNDERTAKEN IN THE IME (OR IN COLLABORATION WITH IME). HOWEVER, WE ARE OPEN AS TO DATE AND SEE NO SPECIAL ADVANTAGE IN HOLDING SESSION IN SPRING OR EARLY SUMMER.

8. ACTION REQUESTED: MISSION REQUESTS INSTRUCTIONS BY FEBRUARY 23, 1976 ON U.S. DESIRES REGARDING HOLDING OF SIXTH SPECIAL SESSION OF IC ON INWARD DIRECT INVEST-LIMITED OFFICIAL USE

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MENT, ON DATES DESIRED, AND ON EXPECTED REPRESENTATION FROM WASHINGTON IF MEETING IS HELD ON THOSE DATES.
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